

## Choice Plan policy changes

Over the last few months, there has been some media attention on market timing or excessive trading in mutual funds and 401(k) plans. Such trading by a few individuals may negatively affect the rest of the Choice Plan participants who use these funds in their long-term retirement portfolio. This type of trading could increase costs to other participants, skew fund performance, and lower returns for long-term shareholders.

With the responsibility to protect participants' assets, the PERSI Board has revised the Choice Plan investment policy to stress that the 401(k) was developed as a vehicle for long-term accumulation of retirement savings, and that market timing and excessive trading are discouraged because they can be detrimental to other participants in the plan.

Further discussions of this issue and possible actions to take will occur at the January Board meeting, and we will notify members of any plan modifications.

### 2004 401(k) contribution limits

The 2004 contribution limit to the PERSI Choice Plan 401(k) is \$13,000 (or, if at least age 50 in 2004, \$16,000). Members may contribute any percent of pay until they reach the limit.

## Law requires employers to remit contributions and payroll reports within five days of pay date or penalties may be assessed

Idaho law requires that all PERSI employers remit Base Plan and Choice Plan contributions and payroll transmittal reports together and within five business days of pay date. Both the payroll report and the contributions must be submitted together, as the transmittal is needed to determine if the contributions are correct.

After five days, unpaid contributions and/or missing payroll transmittal reports are considered delinquent and penalty interest will begin accruing. The penalty interest is set in Idaho Code 59-1325 and 28-22-104(1) at the greater of 12% or the regular interest rate annually.

Idaho Code 59-1328 also allows PERSI to assess administrative penalties consisting of actual costs and administrative costs. Administrative penalties may include staff salaries and benefits and costs such as computer programming and processing.

If an employer fails or refuses to remit required contributions within 30 days after the date due, PERSI may certify to the State Controller the fact of such failure

or refusal and the amount of the delinquent contributions, together with interest. In such a situation the State Controller will deduct the amount as an offset, together with interest charges, from any funds payable then or in the future to the delinquent employer, and will forward these delinquent amounts to PERSI.

PERSI does not wish to enforce and collect any penalties, but as fiduciaries of a trust have a duty to our members and other employers to do so. Fortunately, the vast majority of PERSI employers are in compliance with the law.

We have a strong desire to work together with employers to ensure you have the information and tools you need to submit timely reports and contributions.

If you occasionally cannot comply with these requirements because of special circumstances, contact PERSI to work out a solution to your problem. If you anticipate a problem, please contact us in advance. PERSI staff is always available to assist you. Please contact your PERSI Financial Technician.

# Correct type of Social Security quote needed to estimate PERSI Option 3, 4a and 4b retirements

## PERSI "Social Security Adjustment" options 3, 4a & 4b

These PERSI retirement options provide an increased retirement allowance before Social Security Full Retirement Age (FRA) and a reduced allowance afterwards. These options are available only if you retire before FRA. Full Retirement is age 65 if you were born before 1938. If you were born later, FRA is between ages 65 and 67.

The increased adjustment amount is based on your age and the number of years that you are from your SSNRA. It is also based on the estimated benefit you will receive from Social Security at SSNRA.

## Obtaining a quote from the Social Security Administration

If you are approaching retirement and wish PERSI to provide you with estimates for benefit options 3, 4a and 4b, PERSI requires a quote from the Social Security Administration (SSA) first. The Social Security quote must contain specific information for PERSI's Option 3, 4a and 4b quotes to be accurate. The annual Social Security quote you receive in the mail does not provide the information PERSI needs. You must contact your local SSA

office, or use their website: [www.ssa.gov/planners/calculators.htm](http://www.ssa.gov/planners/calculators.htm).

It is up to you to obtain the correct type of quote from the SSA. PERSI cannot do this for you.

When you request a quote from the SSA, tell them the date you plan to retire from your PERSI job. You should ask for an estimate for Full Retirement (between ages 65 and 67). You must make sure their estimates will include "**zero future earnings**" for after you stop your PERSI employment.

If you do not specify "no future earnings," the quote that Social Security provides for full retirement assumes you continue to work to that age. The quote that PERSI uses in its calculation of the accelerated Option 3, 4a, and 4b options is the full retirement quote.

So, said another way, if you really plan to retire at age 58, for instance, you need to get a quote from Social Security for Full Retirement that assumes you do not work past age 58. If your quote assumes you continue to work to Full Retirement, it reflects a higher amount than what you will really receive at that time, and your PERSI benefit will be reduced

based on the inflated quote that you provided to PERSI when you retired. This could have a significant affect on your monthly income at that time.

The amount of the acceleration does not come from Social Security. It is paid by PERSI. When you reach full Social Security retirement age, your benefit will be reduced by the amount of the Full Retirement on the Social Security quote you provided, not by what you actually receive from Social Security.

If you by chance have already submitted a Social Security quote to PERSI that is inflated because it includes future earnings, and you would like a recalculation of your estimate, we will be happy to do this for you if you contact your local Social Security office and request a corrected quote for us.

PERSI will use whatever quote you provide. Once you retire and your PERSI benefit has been calculated using the quote provided at retirement, PERSI cannot change the amount of your PERSI benefit if you later receive a different amount from Social Security. Once you begin receiving your PERSI retirement benefit, it cannot be changed.

## Social Security calculators available online

You may use the online Social Security calculators to create and print the quotes that PERSI needs.

[www.ssa.gov/planners/calculators.htm](http://www.ssa.gov/planners/calculators.htm)

You will need to provide 1) your age at retirement and 2) ZERO as your future earnings projection.